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FM AMEMBASSY KUALA LUMPUR
TO RUEATRS/DEPT OF TREASURY WASH DC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 8110
INFO RUCNASE/ASEAN MEMBER COLLECTIVE PRIORITY
RUEHKL/ISLAMIC CONFERENCE COLLECTIVE PRIORITY

UNCLAS KUALA LUMPUR 002263

SIPDIS

SENSITIVE
SIPDIS

TREASURY FOR LAILEE MOKHTADER

E.O. 12958: N/A
TAGS: [EFIN](#) [ETTC](#) [MY](#) [PREL](#) [PTER](#) [XR](#) [KTFN](#) [UN](#)
SUBJECT: ACTION REQUEST: TERRORIST FINANCE: DOMESTIC USG
DESIGNATION OF HIZBALLAH-RELATED INDIVIDUALS/ENTITIES IN
THE TRI-BORDER AREA

REF: STATE 196015

[1](#)1. (U) This is an action request. Please see paragraph 4.

[1](#)2. (U) Econoff met with Bank Negara Malaysia (BNM -- Malaysia's central bank) Financial Intelligence Unit (FIU) Director Jeremy Lee and Deputy Director Yusof Sulong to deliver reftel demarche and provide a copy of the names and backgrounds of the designated persons and entities.

[1](#)3. (U) In response to Econoff's questions about whether Malaysia considered Hizballah a terrorist organization and what Malaysia's response would be to the U.S. domestic designation in light of UNSCR 1373, Sulong replied that the Government of Malaysia had made a determination that Hizballah was a legitimate political party, not a terrorist organization; therefore, UNSCR 1373 did not apply. He further described the language of UNSCR 1373 as "vague" and pointed out that, since it included no list of designees, it was not actionable. Lee explained that Malaysia had decided to abide by the determination of the United Nations, and if at some point the UN designated Hizballah as a terrorist organization, Malaysia likely would reconsider its position. He expressed concern about whether to accept U.S. designations in general when we are unable to provide comprehensive information about our intelligence. He was very interested in finding out more about how other countries treat U.S. domestic designations.

[1](#)4. (SBU) ACTION REQUEST: Post requests further information on 1) how many/which countries consider Hizballah a terrorist organization, and 2) examples of countries designating persons and/or entities in response to a U.S. designation. This information could encourage the GoM to be more proactive in designating terrorists or terrorist financiers without waiting for the UN to do so.

[1](#)5. (SBU) Regarding the 11 new designees, Lee said the list would be distributed to all financial reporting agencies immediately. While the FIU has no authority to freeze their assets, Malaysia's definition of "suspicious" transactions is expansive -- the fact that a person or entity is on the U.S. list will encourage closer scrutiny. Due to Malaysia's secrecy laws, the GoM will not be able to share information with us on every suspicious transaction; however, the designees will be watched closely for possible breaches of Malaysia's Anti-Money Laundering Act.
LAFLEUR